

FISCAL NOTE

HB 627 - SB 995

February 12, 2005

SUMMARY OF BILL: Reduces the state sales tax on food from six percent to five percent, effective July 1, 2006.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$70,000,000

Decrease Local Govt. Revenues - \$2,900,000

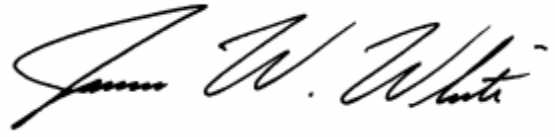
Assumptions:

- The taxable sale of food and food ingredients in Tennessee is estimated at approximately \$7.0 billion per year.
- Annual state sales tax revenue on food at the 6% tax rate is estimated at \$420.0 million ($\$7.0 \text{ billion} \times 6\% = \420.0 million).
- Estimated annual state sales tax revenue on food at the 5% tax rate is estimated at \$350.0 million ($\$7.0 \text{ billion} \times 5\% = \350.0 million).
- Reducing the state sales tax rate on food from six percent to five percent will reduce state tax revenues by approximately \$70.0 million ($\$420.0 \text{ million} - \$350.0 \text{ million} = \70.0 million).
- 4.2462% of state sales tax revenue is appropriated to the municipalities within Tennessee.
- Reducing state sales tax revenue by \$70,000,000 reduces local government revenue by \$2,972,340 ($\$70,000,000 \times 4.2462\% = \$2,972,340$) from reduced allocation of the state sales taxes to local governments.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

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A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director